

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 21, 1999 at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 110, 1/18/1999; SB 175,
1/18/1999
Executive Action: None

HEARING ON SB 175

Sponsor: SENATOR DOROTHY ECK, SD 15, BOZEMAN

Proponents: None

Opponents: None

Informational Testimony: Mary Bryson, Department of Revenue

Opening Statement by Sponsor:

SEN. DOROTHY ECK, SD 15, Bozeman, introduced **SB 175** as a bill which helps provide health care for the children of employees of the state of Montana by allowing tax credits under certain circumstances for medical insurance premiums.

SEN. ECK said there is one problem which comes from the feds, in that they exclude state employees from these programs, because they feel that state governments pay their employees well and provide them with good insurance, and they do not want the states to be relieved from providing health insurance. She said that hopefully this hurdle can be overcome. **SEN. ECK** went on to say that in actual fact, the state has a very good program and they subsidize health insurance for their employees' children. She said that this bill provides for a tax credit for state employees to cover the cost of insurance for their children if they meet certain income requirements.

SEN. ECK directed the committee to the fiscal note, noting that it will probably be altered. She pointed out no. 6 on page 2, which says that there are 313 state employees who have insurance coverage for "employee and child(ren)" who earn wages below 150% of the federal poverty level for their respective family size. She said this category is single parents with dependent children under age 19. **SEN. ECK** said that the Children's Health Insurance Program provides coverage for all dependent children not otherwise covered by insurance, with the exception of dependents of employees of the state of Montana; and under Medicaid, a child under six years of age is eligible if the family income is up to 133% of poverty. The range of income between those programs, 133% to 150%, is between \$14,000 and \$16,000, and this legislation will help state employees in that wage category.

SEN. ECK then moved to no. 8 on page 2, which deals with the 872 state employees who would fall into this wage category who are married and have eligible children. This program would only cover those whose spouses do not work. The fiscal note reflects the total spent by these employees without taking into consideration that a portion of that amount covers the spouse, and this particular legislation only covers the children's portion. Therefore, the \$475,970 figure would actually be about \$206,000.

SEN. ECK said that there will be an amendment to the bill which makes it clear that it is the children of state employees who would be eligible, but does not at present include classified employees of universities. Hopefully, they can be included.

SEN. ECK said she feels that this is a responsibility we have to state employees to help with their health insurance costs because they are not eligible for other programs which cover non-state employees. She said that sometimes it's easier to give a tax credit than get an appropriation and she recommended passage of this legislation.

Proponents' Testimony: None

Opponents' Testimony: None

Informational Testimony:

Mary Bryson, Department of Revenue, provided a couple of information points. As **SEN. ECK** had pointed out, there are some amendments to the bill, and there is also an amendment to the fiscal impact on the fiscal note. That figure has been revised. The fiscal impact shown on the original fiscal note is consistent with the intent of the proposal and is consistent with the amendments that **SEN. ECK** will be presenting, but it does overstate the annual effect due to an error in calculating the amount of out-of-pocket payments for married couples. The original fiscal note shows \$475,970 but it should be \$196,290 for each year.

Ms. Bryson also said that state employee out-of-pocket contributions are already made with pre-tax dollars, so providing a credit for these out-of-pocket payments amounts to basically a double tax benefit. Current law says that payments made with pre-tax dollars cannot be deducted for state purposes in itemized deductions, but the state of Montana does have in the medical premium arena an allowance for a dollar-for-dollar deduction if medical deductions for premiums paid are itemized.

Questions from Committee Members and Responses:

SEN. GLASER asked **SEN. ECK** if this bill will do anything for the people who are eligible for the CHIP program that may not be able to use it because there are no funds. He said the bill gives state employees a break, but does not cover those who are on waiting lists for other programs. **SEN. ECK** said she feels the data the Department of Administration has provided is going to be pretty accurate, primarily because in Montana people who are eligible for all kinds of benefits don't apply. She said that probably a third of the people who would qualify for Medicaid have not applied.

SEN. ELLINGSON asked **SEN. ECK** whether she was optimistic that CHIP will cover all the people who apply and that there won't be

a waiting list, and **SEN. ECK** said she was optimistic about that; however, she said that should that be wrong, this program would probably be the most appropriate use of cigarette settlements, which we may not see this year, but maybe by 2000. She said that experience says that the benefits of insuring children is of tremendous benefit to the state.

SEN. ELLINGSON referred to **SEN. GLASER'S** question about amending the bill to provide coverage or credit for those individuals who couldn't get CHIP coverage because there wasn't enough money and asked if that was a possibility. **SEN. ECK** said that it could be added. She said it's unlikely, but it would provide a safety net.

SEN. ELLIS asked **SEN. ECK** whether **SEN. MILLER'S** bill was a refundable tax credit. **SEN. ECK** said she thought that bill gave a tax credit to individuals who buy their own insurance, but not those who are covered by a group plan. **CHAIRMAN DEVLIN** said he thought that program had cost twice as much as expected. **SEN. ELLIS** then asked if there wasn't enough money for the CHIP program, how there will be enough money to fund this program. **SEN. ECK** said she would be very surprised if CHIP ended up with a waiting list. She said there are some families, such as some farm and ranch families, who would have the income eligibility for CHIP, or they might have the income eligibility for Medicaid.

SEN. ELLIS asked about those workers who make \$8.00 to \$8.50 and have a subsidized health plan available but who do not participate because they cannot afford the out-of-pocket expense. **SEN. ECK** said that those people would be eligible for Medicaid or CHIP.

CHAIRMAN DEVLIN asked the Department if the classified employees of the university are included in the fiscal note. **Ms. Bryson** said that they were not. **CHAIRMAN DEVLIN** then asked how that would change the fiscal note if they were. **Joyce Brown, Bureau Chief for the State Employee Benefits Bureau**, which administers the state plan, said that the university plan is a separate plan. She said that plan is about half of the state plan, so she anticipated that that might be less than half of the amount for the state. **Ms. Bryson** added that that would be \$196,000 plus \$80,000 to \$90,000 which would cover the university employees. **CHAIRMAN DEVLIN** asked **Ms. Bryson** to get that exact number for the committee, and she said she would.

Closing by Sponsor:

SEN. ECK closed by saying that the amendment proposed will need to be changed because it is written to exclude the universities, and she feels that they should be included until some kind of ruling is made.

SEN. ECK said that she feels this is a good tax expenditure. It's a bill that is a good augmentation to our state pay plan. She said she has been interested in the benchmarks regarding wages in Montana. Montana is sitting at the bottom of wages in the nation. The Governor has recommended that we work in the next few years to bring that up to 36th. State employees fall at 48th, and because of that, quality suffers and turnovers increase.

She also said she would work on the problem of the universities and the federal problem with state employees.

HEARING ON SB 110

Sponsor: SENATOR ALVIN ELLIS JR., SD 12, RED LODGE

Proponents: Eugene Walborn, Department of Revenue

Opponents: Dennis Burr, Montana Taxpayers Association

Opening Statement by Sponsor:

SEN. ELLIS, SD 12, Red Lodge, introduced **SB 110**, which could be considered a housecleaning bill because it is a bill which puts to a vote **SB 109** which was passed in this committee a few days ago and which passed the Senate floor on Saturday. **SB 110** makes **SB 109 CI-75** compatible. **SB 109** accelerated payments on certain telephone company license taxes from 60 days following the end of the quarter to 30 days.

Proponents' Testimony:

Eugene Walborn, Department of Revenue, testified that the Department is a proponent of the legislation.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said his association did not object to the original bill which accelerates the collection of telephone license tax. It is designed to make this tax more compatible with other taxes the Department collects. However, he said that with **CI-75** in place, and defining

acceleration of a tax collection as a new or increased tax, requiring a vote on a measure like this is going too far. He said if **CI-75** is stricken, then **SB 109** could become law as an administrative action of this legislature, but in the meantime, what goes on the ballot in Montana should be limited.

Barbara Ranf, US West, said that they also did not take a stand on **SB 109**, but that US West also feels that this is not the type of thing that should be put on the ballot, and that there should be some coordination of legislation that goes on the ballot.

Questions from Committee Members and Responses:

SEN. GLASER reiterated that he objected to **SB 109** for the very reasons that **Mr. Burr** brought up. He said that he thought the positive fiscal impact from **SB 109** could be eaten up by the cost of the vote.

SEN. ECK asked if there was any kind of a movement to prioritize what goes on the ballot, and **Mr. Burr** said he was not aware of anything at this point but that he was sure there would be something eventually.

SEN. ELLINGSON said he didn't think **CI-75** gives the legislature the right to prioritize what tax increases or what possible tax increases go on the ballot or don't go on the ballot. **Mr. Burr** said that he felt the committee has the ability to choose what type of tax increases are submitted. **SEN. ELLINGSON** said that if the committee decided to pass **SB 109** out of committee but not **SB 110**, and it was determined that **SB 109** did require a ballot vote and it was not there, then **SB 109** would be null and void; so if the committee decided that **SB 109** was a good bill, it would be best to put it on the ballot just to make certain there wouldn't be a Constitutional challenge. **Mr. Burr** said that if **SB 109** was not put on the ballot, that it would be null and void. However, if **CI-75** is removed from the Constitution by the Supreme Court, **SB 109** could become law.

Closing by Sponsor:

SEN. ELLIS stated briefly that **SEN. ELLINGSON** is exactly right in that the committee does not have a choice about what goes on the ballot. He said **CI-75**, under (d), specifies that "a tax increase means a required acceleration in the payment of the tax," so this would qualify under that.

ADJOURNMENT

Adjournment: 8:45 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas16aad)